

DEPARTMENT OF STATE REVENUE

Revenue Ruling #2011-01 IT
June 22, 2011

NOTICE: Under [IC 4-22-7-7](#), this document is required to be published in the Indiana Register and is effective on its date of publication. It shall remain in effect until the date it is superseded or deleted by the publication of a new document in the Indiana Register. The publication of this document will provide the general public with information about the Department's official position concerning a specific issue.

ISSUES**Adjusted Gross Income Tax – Record Retention Format Requirements**

A company ("Taxpayer") is seeking an opinion as to whether imaged invoices maintained in a storage system that preserves document legibility and integrity are acceptable in lieu of hard-copy invoices.

Authority: [IC 6-8.1-5-4](#)

STATEMENT OF FACTS

Taxpayer provides the following facts regarding its request for a revenue ruling:

[Taxpayer] utilizes a paperless invoice storage system for invoices received from vendors. A third-party accounts payable processing provider scans all paper invoices and imports these imaged documents into a digital storage system. The imaged invoices, and not the hard-copy originals, are used during the review and approval process for all invoiced purchases. As a result, the integrity and legibility of each invoice is reviewed and validated by [a Taxpayer] employee that approves the payment of a given invoice. There are established document retention requirements such that imaged invoices are retained for the amount of time required by the Indiana statute of limitations or an extended period of time when necessary. Internal company policy mandates that imaged invoices are retained for a minimum of seven (7) years. No documents are destroyed without explicit approval from [Taxpayer's] tax and legal departments.

[Taxpayer] prescribes specific procedures for the paper-to-digital document conversion process, as well as prescribes explicit ways to identify and preserve the documents in digital format. The imaged invoice storage system is indexed and searchable. Imaged invoices maintained in its storage system have been and will continue to be available for auditors to review upon request.

The Federation of Tax Administrators ("FTA") promulgated a "Model Recordkeeping and Retention Regulation" to address the moving trend towards electronic recordkeeping. [Taxpayer] believes its document retention practices are consistent with the stringent requirements set forth in the FTA regulation....

DISCUSSION

In general, [IC 6-8.1-5-4\(a\)](#) provides the following document retention requirement:

Every person subject to a listed tax must keep books and records so that the department can determine the amount, if any, of the person's liability for that tax by reviewing those books and records. The records referred to in this subsection include all source documents necessary to determine the tax, including invoices, register tapes, receipts, and canceled checks.

[IC 6-8.1-5-4\(b\)](#) provides that a taxpayer must retain all pertinent records for the period of time prescribed by the applicable statute of limitations or until the assessment period is over. [IC 6-8.1-5-4\(c\)](#) provides that a taxpayer "must allow inspection of the books and records and returns by the department or its authorized agents at all reasonable times."

Indiana statutory law does not explicitly address the permissibility of imaged invoices and digital storage systems. However, the Department does not interpret the statute in question to prohibit such storage systems, provided that a taxpayer can authenticate, identify and provide access to clearly legible and readable reproductions of original records upon the Department's request (including, if necessary, the creation of hard-copy reproductions). If the foregoing requirements are met, the Department will not prohibit a taxpayer from using a digital storage system for applicable invoices.

Please note that the conclusions expressed in this ruling should not be interpreted to apply to any official documents or records that are by trade practice or an applicable regulation of another government entity required to be retained in hard copy. Nor should this ruling be interpreted to restrict the Department's available courses of action in the event a taxpayer fails, for any reason—including the unexpected failure of a digital storage system—to maintain and produce requested documents.

RULING

Taxpayer's use of imaged invoices maintained in a storage system that preserves document legibility and integrity is acceptable in lieu of retaining hard-copy invoices.

CAVEAT

This ruling is issued to the taxpayer requesting it on the assumption that the taxpayer's facts and circumstances as stated herein are correct. If the facts and circumstances given are not correct, or if they change, then the taxpayer requesting this ruling may not rely on it. However, other taxpayers with substantially identical factual situations may rely on this ruling for informational purposes in preparing returns and making tax decisions.

If a taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the taxpayer is different in any material respect from the facts and circumstances given in this ruling, then the ruling will not afford the taxpayer any protection. It should be noted that subsequent to the publication of this ruling a change in statute, regulation, or case law could void the ruling. If this occurs, the ruling will not afford the taxpayer any protection.

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